

Article for Automotive Industries Magazine

Earlier this year, Toyota announced it would invest USD 1.3 billion to build a factory on a 1,700-acre site in Blue Springs, Mississippi, to produce its Highlander sports utility vehicles. The new plant, located near the northeast Mississippi city of Tupelo, will have the capacity to build 150,000 vehicles a year when production begins by 2010. For Mississippi, it was another win in efforts of Southern states to attract new investments from the international automotive sector.

The Southern United States is being dubbed the new Detroit as investments move from the Midwest to Mississippi, Alabama, Georgia, Kentucky, South Carolina, West Virginia, and Texas. Mississippi is particularly well-suited compared to other Southern states due to its central location in the "Southern Automotive Corridor." The state is served by a key axis of the interstate highway system, outstanding rail systems, and water transportation routes, including the Mississippi River and the Tennessee-Tombigbee Waterway.

In late 2000, Mississippi received its first high-profile automotive investment when Nissan North America announced it would locate a USD 930 million assembly plant just north of Jackson, near Canton. In 2002, Nissan pumped in USD 1.4 billion to expand its operations in the state. This plant recently set a North American record in producing 1,000,000 autos in just under four years.

Mississippi is home to over 90 automotive manufacturing, distribution and supplier companies. These include Mazda, Cooper Tire & Rubber, Caterpillar, Delphi Automotive Systems, Johnson Controls, Tower Automotive and Visteon. There is a BMW regional parts distribution center in north Mississippi. BMW said that the state's proximity to major transportation corridors and air transport hubs and a pool of highly qualified workers were major advantages in locating in the state. PACCAR, maker of DAF, Kenworth and Peterbilt trucks, recently announced the location of its first US diesel engine plant in Mississippi.

Since automotive manufacturing is one of the primary manufacturing industries in the US today, attracting automotive investments is important to Mississippi. One of the reasons why Mississippi is popular with auto companies is that the state government has worked to create an optimal business climate conducive to investment, production efficiencies and profitability.

Through Momentum Mississippi, the state's economic development program, Mississippi offers a structured system featuring tax incentives, worker training and development resources, infrastructure planning and development, and the

advantage of key relationships with universities and community colleges, and agencies within the state. The program provides resources for training, infrastructure, university research, and other special needs.

“Even before I took office in 2004, I knew we needed a more creative and effective strategic economic development plan. It was crucial for Mississippi’s future success in terms of attracting higher-paying, higher-tech jobs to our state and encouraging existing industries to stay in Mississippi and grow,” Governor Haley Barbour said. “What we’re seeing now as a result of the Momentum Mississippi legislation is an outpouring of interest, especially in the automotive industry, from companies across the nation looking to locate in Mississippi. These businesses are attracted to our ability to provide them with not only a sound economic development plan, like Momentum, but also lower taxes, a skilled workforce, top-notch research facilities, and high quality of life.”

The state can offer companies highly specialized technical training and retraining opportunities. This is crucial to addressing every company’s need for a well-prepared workforce. The Mississippi Development Authority, or MDA, the State’s lead economic and community development agency, works in close partnership with the Mississippi Department of Employment Security, the Mississippi Department of Environmental Quality, the state’s community and junior colleges, and other workforce-training delivery systems to maximize the value of every dollar available for training, retraining and education.

“We have found that Mississippi’s university system and its research and development programs have been particularly important to the automotive sector for supporting manufacturing operations,” said Gray Swoope, Mississippi Development Authority Executive Director. “Research is an important part of the industry as companies strive continuously to develop new and better-designed cars and trucks, as well as new materials and processes in the way vehicles are constructed.”

This is all good news for Mississippi as more new jobs are created. For example, the new Toyota plant will create 2,000 direct new jobs in the region and indirectly an estimated 5,300 more. “We in Mississippi and especially North Mississippi are excited to have been chosen by Toyota as its partner,” Governor Barbour said. “Toyota is the world’s premiere automotive manufacturer and our state will be the best partner the company has.”

Automotive Industries spoke to Governor Barbour and MDA Executive Director Swoope regarding Mississippi initiatives in the pipeline that will attract foreign direct investment into the state.

AI: How has Mississippi's automotive initiatives been received by automotive companies?

Governor Barbour: Since I took office as Governor in 2004, our administration has been working hard to further enhance Mississippi's business climate through initiatives such as civil justice reform, workforce training reform, and the highest level of education spending in the state's history, all while not raising anybody's taxes.

In 2005, I proposed and the Legislature passed a list of new incentives called Momentum Mississippi that gives us the ability to compete in all sectors of today's economy. This has been a key element in the state's strategic economic development plan because it opens new horizons, giving the state the ability to compete very successfully in the automotive sector, as well as other sectors. One of the main selling points of Momentum Mississippi is its flexibility, which is particularly attractive to major companies whether they are in the manufacturing or services business .

These competitive incentives are matched with some of the brightest and most experienced economic developers ever to work for the state, extraordinarily talented local and regional partners, an outstanding Congressional delegation, and many, many private developers and consultants willing to share their expertise and experience. It is a true team approach that continues to demonstrate the ability to deliver both on time and on budget.

AI: How has the initiative translated into actual benefits i.e., jobs and investment into the state?

Toyota investment

- Toyota's Investment \$1.3 billion - \$330 million in buildings, \$970 million in equipment
- 2,000 Initial Direct Jobs (Toyota)
- 2,000 Estimated Indirect Jobs (Suppliers)
- 2,300 Estimated Construction Jobs
- Annual Payroll Estimated at \$328 Million
- Annual Estimated Fee in Lieu Property Tax of \$1.1 Million to PUL Schools

PACCAR Investment

- Investment \$300 Million
- 500 Initial Direct Jobs
- Annual Payroll Estimated at \$18 Million
- Annual Estimated Fee in Lieu Property Tax of \$1.4 Million

- Estimated Production to begin 2010

Tower Automotive Plant in Meridian

AI: Why is it important for Mississippi to attract automotive investment?

Gray Swoope: The automotive industry represents one solid sector for future growth. The state of Mississippi researched what business and industry look for and matched it to the resources available in communities throughout Mississippi. From this research, the state targeted fifteen specific industry sectors to actively pursue. The Automotive sector is one of those fifteen.

The automotive industry offers a good return on investment. For the Toyota project, the State of Mississippi compiled an incentive package totaling USD 296 million, which included the site and site preparation, infrastructure improvements and job training and recruitment. As a result, Mississippi anticipates state tax revenues of roughly USD 235 million from the facility over the first 10 years of operations. With an annual payroll estimated at USD 328 million, the state will benefit further from sales tax and other revenue as the money turns over in the communities.

Based on Toyota's commitment, the project will create 2,000 direct jobs and another 2,000 supplier jobs. It should be noted that Toyota has a reputation of under-promising and over-delivering.

AI: What are advantages your state can offer automotive companies?

Gray Swoope: As we mentioned before, Mississippi offers a fair legal climate, low taxes, a skilled workforce, available land, workforce training and a dynamic, pro-business climate. The state has also streamlined regulations, both environmental and labor.

For Mississippi, as we mentioned, economic development is a team sport. Under the leadership and direction of the Governor, the state's economic development professionals, communities, Mississippi's legislators and the state's congressional delegation all work together.

Mississippi is competitive in the incentives that it offers. Each project is approached through a consultative selling process that allows us to determine the company's primary drivers. Once we determine that the project would be a win for both parties – that's when incentives come into play. Incentives cannot make a bad deal good – but they can make a good deal better. We offer

incentives tied to attracting quality, highly-skilled jobs that positively impact the company's bottom line, including creative finance programs.

Governor Barbour: In their own words, the primary reasons Toyota selected north Mississippi was the quality of the workforce and the leadership offered by the state and local communities.

Mississippi offers an experienced, engaged workforce with a good work ethic. The civilian labor force, which exceeds 1.3 million, is both motivated and productive. Our workers are experienced in assembling and building quality products ranging from automobiles and furniture to ships, aircraft and other weapons for national defense.

Mississippi's Workforce Training Program is customized to meet clients' needs and is offered at little to no expense to the client.

One-Stop Centers throughout the state enhance career development and training. Simply put, Mississippi is poised to offer automotive companies the "total package."